

**ATTESTATION REPORT  
OF THE  
NEBRASKA MOTOR VEHICLE  
INDUSTRY LICENSING BOARD**

**JULY 1, 2003 THROUGH JUNE 30, 2004**

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**Issued on May 5, 2005**

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

TABLE OF CONTENTS

	<u>Page</u>
<b>Background Information Section</b>	
Background	1
Mission Statement	1
Organizational Chart	2
<b>Comments Section</b>	
Exit Conference	3
Summary of Comments	4
Comments and Recommendations	5 - 11
<b>Financial Section</b>	
Independent Accountant's Report	12 - 13
Schedule of Revenues, Expenditures, and Changes in Fund Balances	14
Notes to the Schedule	15 - 17
<b>Government Auditing Standards Section</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances Performed in Accordance with <i>Government Auditing Standards</i>	18 - 19
<b>Statistical Section</b>	20
Schedule of Licenses Issued by Type	21
Schedule of Fund Balance by Fiscal Year	21

## NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

### **BACKGROUND**

The Nebraska Motor Vehicle Industry Licensing Board is a self-supporting Board created during the 1957 legislative session. Members of the Board include the Director of the Department of Motor Vehicles, who serves as chairman, and nine members appointed by the Governor, with the consent of the Legislature. The nine members, who serve three-year terms, include three new motor vehicle dealers, one from each congressional district; two licensed used motor vehicle dealers, from different congressional districts; one trailer dealer or combination motor vehicle or trailer dealer; a factory representative; a licensed motorcycle dealer; and a member representing the public.

The Board has the responsibility of protecting the public interest in connection with the activities of the manufacture, distribution, and sale of motor automobiles, motorcycles, trailers, and mobile homes. The Board exercises its responsibilities through the issuance, denial, supervision, or revocation of the following licenses: motor vehicle dealers – new and used, salespersons, manufacturers, factory branches, factory representatives, distributors, distributors' representatives, motorcycle dealers, motor vehicle auction dealers, wreckers and salvage dealers, finance companies, and supplemental motor vehicle dealers. The Board also controls the distribution of dealer license plates by means of a statutory formula.

The Board generally meets once per month to approve and deny license applications and to take actions on complaints. The Board also conducts hearings for new motor vehicle franchise applications and for the termination of any franchise. These powers were granted to the Board in order to prevent fraud and other abuses upon the citizens of the State.

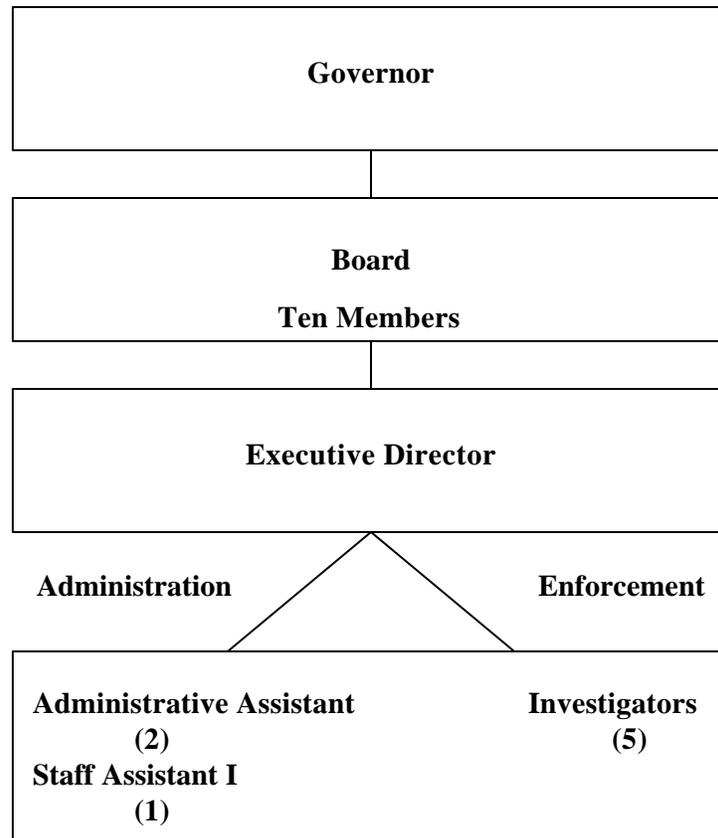
At June 30, 2004, the office and field staff consisted of an Executive Director, two Administrative Assistants, a Staff Assistant, and five Field Investigators who investigate complaints and inspect dealerships for compliance with the law.

### **MISSION STATEMENT**

The mission of the Motor Vehicle Industry Licensing Board is the regulation, investigation, and education matters involving the selling of motor vehicles in the State. Protection of the general public interest is the main priority.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**ORGANIZATIONAL CHART**



NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**EXIT CONFERENCE**

An exit conference was held April 4, 2005 with the Board to discuss the results of our examination. Those in attendance for the Nebraska Motor Vehicle Industry Licensing Board were:

<b>NAME</b>	<b>TITLE</b>
William S. Jackson	Executive Director
Joan M. Zachek	Administrative Assistant
Beverly Neth	Board Chairperson/Director of Department of Motor Vehicles

# NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

## SUMMARY OF COMMENTS

During our examination of the Nebraska Motor Vehicle Industry Licensing Board, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Investigators Handling Consumer Complaints:*** An investigator handled one of nineteen checks, in the amount of \$450, which was owed to the consumer. The release form did not contain an area to document the dollar amount was received by the consumer.
2. ***Board Review of Fees Charged:*** The Board does not have a specific process in place to perform an analysis of the amounts spent for a particular regulatory licensing function compared to revenue generated.
3. ***Travel Logs Were Not Properly Completed:*** On one of four permanently assigned vehicles tested, the written request sent to the Department of Administrative Services (DAS) was not properly completed. Three of four travel logs tested did not identify the “to and from” destinations. Two of four travel logs tested noted unreasonable mileage.
4. ***Nebraska Information System and Accounting Procedures:*** Significant concerns or areas where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operation efficiency were identified.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Board declined to respond.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

# NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

## COMMENTS AND RECOMMENDATIONS

### 1. Investigators Handling Consumer Complaints

One of the functions of the Motor Vehicle Industry Licensing Board is to mediate and resolve consumer complaints against dealers. This process involves recording the complaint as it comes into the Board as well as documenting the resolution of the complaint. The investigators complete a release form upon resolution of a complaint.

During our review, we noted an investigator received funds owed to consumers for the release of their complaint against the dealer. The investigator handled one of nineteen checks, in the amount of \$450, which was owed to the consumer and this amount was not recorded in the State's accounting system. Most payments are made directly by the dealer to the consumer. When amounts are collected by State employees and not recorded in the accounting system, there is greater risk of irregularities occurring and not being detected.

We also noted the release form did not contain an area to document the dollar amount received in order to release the complaint. This release form is signed by the consumer and dealer. Including the dollar amount on the signed release form would provide better documentation the complaint was appropriately resolved.

Good internal control requires policies and procedures to ensure all monies handled are documented and properly processed. Good internal control also requires release forms to identify what was received in order to release the complaint.

We recommend the Board adopt policies and procedures to ensure investigators are not handling money owed to a consumer for the release of a complaint. If such a policy is not adopted and State employees collect money, the amounts collected become State funds. In this case, we recommend the receipt and subsequent payment to the consumer be processed through the State accounting system. We further recommend the Board develop their release form to include what the consumer is receiving to compensate for their release of their complaint against the dealer.

### 2. Board Review of Fees Charged

During our review, we noted the Board does not have a specific process in place to perform an analysis of the amounts spent compared to revenue generated for a particular regulatory licensing function.

Neb. Rev. Stat. Section 60-1411.01 R.S.Supp., 2002 states, “. . . fees shall be fixed by the board and shall not exceed the amount actually necessary to sustain the administration, operation, maintenance, and enforcement . . .” When fees are charged for services, good fiscal policy requires the Board to evaluate the appropriateness and reasonableness of the fees charged in relation to the costs incurred by the Board.

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Board Review of Fees Charged (Concluded)**

We recommend the Board annually review all licensing fees and adjust the fees as necessary to ensure fees do not exceed the amount actually necessary to sustain the administration, operation, maintenance, and enforcement of the Board.

We further recommend the Board develop a process, such as a study of the inspectors' time spent on each specific licensing function, to analyze the amount of time spent for the major regulatory licensing functions. This time study information could then be used to allocate costs to a specific business unit, matching licensing functions costs to the licensing fees collected. The Board could then determine, based on accounting data, if fees collected were covering the Board's costs.

**3. Travel Logs Were Not Properly Completed**

Executive Order 99-02 [3(e)] states, "Written requests shall include: the employee's job title; vehicle license number; the type of vehicle; and the reason for the request." Good internal control requires review of travel logs on a regular basis to ensure logs are properly completed and mileage is reasonable.

During our review of travel logs, we noted the following:

- For one of four vehicles tested, the written request sent to the Department of Administrative Services (DAS) was not properly completed.
- Three of four travel logs tested did not identify to and from destinations; therefore, we were unable to accurately identify the actual miles driven.
- Two of four travel logs tested did not have adequate documentation on file to determine actual miles driven.
- Two of four travel logs tested incurred unreasonable mileage. We compared miles driven as recorded on the log to actual miles per Mapquest. Mapquest is an internet site that identifies the actual mileage from a specific starting and ending location, and is considered to be very accurate. We noted for one month, one State vehicle was driven an additional 106 miles in excess of actual miles. During one trip, the other State vehicle was driven an additional 38 miles in excess of actual miles when compared to Mapquest.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**3. Travel Logs Were Not Properly Completed (Concluded)**

When travel logs are not reviewed on a regular basis there is an increased risk for loss of State funds.

We recommend the Board review written requests for permanent vehicles to ensure the request was properly completed and all miles driven are reasonable and necessary for State business only. The Board should collect and review all logs on a regular basis and document their review.

**4. Nebraska Information System and Accounting Procedures**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Without adequate training, written procedures, and controls, there is a risk that employees may unintentionally corrupt critical data and that errors could occur and go undetected.

During the fiscal year ended June 30, 2003, the State of Nebraska implemented significant components of a new information system called the Nebraska Information System (NIS). Three major components were the Payroll, Fixed Asset, and Financial components, which went live during the fiscal year ended June 30, 2003. During the fiscal year ended June 30, 2004, the Procurement and Employee Self-Service components were partially implemented. NIS affects all Nebraska State agencies.

A consultant hired by the Auditor of Public Accounts (APA) with expertise in studying large computer systems performed a study of NIS processes and controls prior to June 30, 2003. The APA also performed a preliminary examination of internal controls as of June 30, 2003, at all State agencies in July and August of 2003. In addition, while performing examination procedures the APA obtained a further understanding of NIS.

From these studies and examinations, the APA has identified concerns and areas where improvement to NIS is needed. During the fiscal year ended June 30, 2004, the Department of Administrative Services (DAS) Accounting Division addressed some areas of concern previously reported. However, the following are the more significant concerns or areas where improvement is still needed to ensure NIS integrity and operational efficiency:

- a. The reconciliation between the State Treasurer's actual bank statements and records, the Nebraska Accounting System (NAS-the previous accounting system before NIS), NIS accounting records, and the related disposition of reconciling items was not completed for November 2002 through December 2003 in a timely manner. Subsequent to December

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Nebraska Information System and Accounting Procedures (Continued)**

2003, the DAS Accounting Division performed some reconciliation procedures. As of July 2004, the June 30, 2003, reconciliation indicates an unknown variance between the bank records and the accounting records of \$3,654,783, with the bank being short compared to the accounting records.

During the fiscal year ended June 30, 2004, DAS Accounting Division began performing a daily reconciliation of activity recorded on NIS compared to the activity recorded in the bank on a limited test basis. For those days tested, the activity recorded on NIS can be reconciled to the activity in the bank. The monthly reconciliations for the months of July 2003 through February 2004 for the fiscal year ended June 30, 2004 have been performed and indicate fluctuations in the variance amounts. The latest monthly reconciliation performed, February 2004, indicates an unknown variance between the bank records and the accounting records of \$5,112,201, with the bank being short compared to the accounting records. This variance was provided to us by DAS Accounting Division and its accuracy has not been verified by the APA.

Although some reconciliation procedures have been performed (daily reconciliation of activity going through NIS to the activity recorded through the bank), the monthly reconciliation for the months March 2004 through June 2004 are still in the preliminary stages and are not complete as of July 2004. Complete and timely reconciliation procedures between bank records and accounting records provide control over cash and accurate financial information. The reconciliation procedures should be completed timely and on at least a monthly basis to ensure all financial information is correct in NIS.

- b. During the early implementation months of NIS, DAS Accounting Division did not have a comprehensive written NIS policy and procedures manual available for users. During the fiscal year ended June 30, 2004, DAS Accounting Division made progress in this area and significant policies and procedures can be found by users on the DAS Accounting Division website. However, the APA, after reviewing the old accounting procedures manual, did note some procedures still being performed under those policies that have not been incorporated as NIS policies. We recommend DAS Accounting Division continue to update their NIS policies and procedures to include all policies and procedures in place to help ensure consistent and accurate accounting of the State's financial transactions.
- c. During the early implementation of NIS it was determined the NIS Payroll application was not allocating salaries and benefits appropriately to salaried employees who incur hours that are distributed across multiple business units. This would apply to many State agencies' funds, programs, and grants. During the fiscal year ended June 30, 2004, agencies developed "work

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Nebraska Information System and Accounting Procedures (Continued)**

around” solutions to this problem, however, there has been no system change to resolve this problem. The “work around” solutions can be very time consuming. We recommend DAS Accounting Division consider obtaining a system change to allocate salaries and benefits appropriately for salaried employees who incur hours that are distributed across multiple business units.

- d. During the first year of NIS implementation an outside consultant noted a detailed analysis had not been performed to determine whether users received adequate training to enable them to appropriately perform their job functions. The APA is not aware of any detailed analysis of user training conducted by the DAS Accounting Division during the fiscal year ended June 30, 2004, but does acknowledge a significant training effort by the DAS Accounting Division during this period. We recommend the DAS Accounting Division continue their training efforts as well as identifying user training needs.
- e. Since the implementation of NIS, DAS Accounting Division has not updated their records retention and disposition schedule with the Records Management Division of the Secretary of State. The records retention schedule on file with the Secretary of State covers the records under the old accounting system and was last updated in 1986.

Neb. Rev. Stat. Section 84-1207 R.R.S. 1999 states the head of any State agency shall make, and submit to the State Records Administrator schedules proposing the length of time each record series warrants retention for administrative, legal, historical or fiscal purposes, after it has been made in or received by the agency, and lists of records in the custody or under the control of the agency which are not needed in the transaction of current business, and do not possess sufficient administrative, legal, historical or fiscal value to warrant their further retention.

Since many of the records (and their titles) are significantly different under NIS than they were under the old accounting system we do not believe the DAS Accounting Division is in compliance with the above statute with the current retention schedule on file with the Secretary of State. In addition, for legal purposes and for good business practices we believe a comprehensive DAS Accounting Division records retention schedule is imperative. We recommend the DAS Accounting Division work with the Secretary of State to develop a comprehensive records retention schedule for all records they maintain.

- f. The payroll component is not designed to promote an effective segregation of duties. We recommend the DAS Accounting Division consider implementing the compensating control as identified in the k. section of this comment.

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Nebraska Information System and Accounting Procedures (Continued)**

- g. During the first year of NIS implementation an outside consultant noted access to sensitive General Accounting functions had been provided to individuals who may not require such access as a part of their job responsibilities. Based on our inquiries, DAS Accounting Division management noted, "All critical function access rights have been secured down to the appropriate high level matrix codes." We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.
- h. During the first year of NIS implementation an outside consultant noted the State had not documented or formalized comprehensive information security procedures for NIS. Based on our inquiries, DAS Accounting Division management noted, "The NIS CNC's and the NIS Security team have developed a comprehensive security policy." We could not verify the accuracy of this statement as requested information and documentation have not been provided to us.
- i. During the first year of NIS implementation an outside consultant noted the State had not implemented a formal, comprehensive business continuity or disaster recovery plan that comprehends both NIS and its supporting infrastructure. Based on our inquiries, DAS Accounting Division management noted, "We have now contracted with an outside vendor for business continuity planning." Documentation provided to us by DAS management indicates the State has a disaster recovery plan, however, it is not complete and the business continuity plan is in the draft stage but has not yet been tested. We recommend the State continue to implement formal, comprehensive business continuity and disaster recovery plans.
- j. The APA reviewed certain data in the NIS address book in July 2004. We noted the following related vendor information:
  - 1. Duplicate Name and Address – Our review noted a total of 4,435 duplicate records. However, all have different address book numbers.
  - 2. Duplicate Bank Information – 4,118 vendors had duplicate bank information.
  - 3. Vendors with no Federal Tax Identification Number (FTIN) in NIS and Vendors with an FTIN of 000000000 – 3,789 vendors either had no FTIN or an FTIN with all zeros. The vendors with zeros as their FTIN were all PW (welfare) vendor types. Out of the 3,789 records 3,408 had no FTIN at all.

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Nebraska Information System and Accounting Procedures (Concluded)**

When duplicate records are in the NIS address book database there is a greater risk of duplicate payments being made and not being detected and queries of the database for vendor information may not be complete because the queries may not include all vendor information. In addition, when the database does not include FTIN numbers for all vendors there is a greater risk of payments to a fictitious vendor. DAS Accounting Division should correct the database for duplicate records and ensure all vendors included in the database have an FTIN.

- k. DAS Accounting Division payroll procedures require each State agency to certify its payroll for each pay period to ensure payroll is processed accurately and completely. This certification is to be in writing, either through an email or letter to the DAS Accounting Administrator. In our review of the final payroll notification and certification procedures processed in July 2003 and May of 2004 and discussion with DAS Accounting Division personnel, the certification procedures were not always performed. Our review also noted that the DAS Accounting Division did not have a policy on the information that should be included in the written certification. We noted during our testing, when there was a certification, there was no consistency in the information provided by State agencies.

DAS Accounting Division should establish a policy on detailing the information to be included in the certification, should ensure all State agencies consistently follow this policy, and ensure all payroll expenditures are certified.

The issues identified above are the responsibility of the DAS Accounting Division and NIS Functional Team as they relate directly to NIS; however, they directly affect all Nebraska State agencies' financial information and must be disclosed in this report. The results of the consultant's study of NIS were communicated in a separate report to DAS, who is responsible for NIS. Letters to each State agency communicated the results of the APA's preliminary examination of internal controls at the State agency level. Additional concerns identified by the APA were communicated to the appropriate State officials.

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## NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

### INDEPENDENT ACCOUNTANT'S REPORT

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board (Board) for the fiscal year ended June 30, 2004. The Board's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

**Tim Channer, CPA**  
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Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board for the fiscal year ended June 30, 2004, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

**Mark Avery, CPA**  
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In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2005, on our consideration of the Nebraska Motor Vehicle Industry Licensing Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Board and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

April 4, 2005

A handwritten signature in black ink that reads "Don Dunlop CPA". The signature is written in a cursive, flowing style.

Assistant Deputy Auditor

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD  
**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2004

	MVILB Cash Fund 24010 <hr/>
REVENUES:	
Sales & Charges	\$ 534,623
Miscellaneous	13,765
TOTAL REVENUES	<hr/> <u>548,388</u>
EXPENDITURES:	
Personal Services	419,148
Operating	80,834
Travel	46,017
Capital Outlay	2,634
TOTAL EXPENDITURES	<hr/> <u>548,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<hr/> <u>(245)</u>
OTHER FINANCING SOURCES (USES):	
Operating Transfers Out	<u>(100,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>
Net Change in Fund Balances	(100,245)
FUND BALANCE, JULY 1, 2003	<hr/> <u>332,085</u>
FUND BALANCE, JUNE 30, 2004	<hr/> <u>\$ 231,840</u>
FUND BALANCE CONSISTS OF:	
General Cash	\$ 231,098
Deposits with Vendors	742
TOTAL FUND BALANCE	<hr/> <u>\$ 231,840</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

1. Criteria

The accounting policies of the Nebraska Motor Vehicle Industry Licensing Board are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2004, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Board was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2004 includes only those payables posted to NIS before June 30, 2004 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2004 **does not** include amounts for goods and services received before June 30, 2004 which had not been posted to NIS as of June 30, 2004.

The Board had no accounts receivable at June 30, 2004. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Board are:

**20000 – Cash Funds** – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

The major revenue object account codes established by NIS used by the Board are:

**Sales & Charges** – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

**Miscellaneous** – Revenue from sources not covered by other major categories, such as investment income, fines, forfeitures, and penalties.

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

The major expenditure object account titles established by NIS used by the Board are:

**Personal Services** – Salaries, wages, and related employee benefits provided for all persons employed by the Board.

**Operating** – Expenditures directly related to a program’s primary service activities.

**Travel** – All travel expenses for any state officer, employee, or member of any commission, council, committee, or board of the State.

**Capital Outlay** – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Other significant object account codes established by NIS and used by the Board include:

**Assets** – Resources owned or held by a government that have monetary value. Assets include cash accounts and deposits with vendors. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS.

**Other Financing Sources** – Operating transfers and proceeds of fixed asset dispositions.

**2. State Agency**

The Nebraska Motor Vehicle Industry Licensing Board (Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The schedule includes all funds of the Board.

The Nebraska Motor Vehicle Industry Licensing Board is part of the primary government for the State of Nebraska.

**3. Capital Assets**

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Board’s values all capital assets at cost where historical records are available and at estimated historical

NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

NOTES TO THE SCHEDULE

(Continued)

3. **Capital Assets** (Concluded)

cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Capital asset activity of the Board for the fiscal year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Equipment	<u>\$ 30,104</u>	<u>\$ 2,319</u>	<u>\$ -</u>	<u>\$ 32,423</u>

4. **Transfers**

During the fiscal year ended June 30, 2004, the Legislature transferred \$100,000 per 2003 Neb. Laws LB 402, Section 128(2)(v) from the Board's Cash Fund to the State's General Fund.

5. **Subsequent Events**

Per 2003 Neb. Laws LB 407, Section 267(1)(k) and (2)(j), the State Treasurer shall make a transfer from the Department of Motor Vehicles Industry Licensing Board Cash Fund to the State's General Fund on or before March 15, 2005 in the amount of \$50,000 for fiscal year 2005.

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**NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD  
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
EXAMINATION OF THE SCHEDULE OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Motor Vehicle Industry Licensing Board  
Lincoln, Nebraska

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Motor Vehicle Industry Licensing Board for the fiscal year ended June 30, 2004, and have issued our report thereon dated April 4, 2005. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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Internal Control Over Financial Reporting

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In planning and performing our examination, we considered the Nebraska Motor Vehicle Industry Licensing Board's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Motor Vehicle Industry Licensing Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Investigators Handling Consumer Complaints), Comment Number 3 (Travel Logs Were Not Properly Completed), and Comment Number 4 (Nebraska Information System and Accounting Procedures).

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Motor Vehicle Industry Licensing Board's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and is described in the Comments Section of our report as Comment Number 2 (Board Review of Fees Charged).

We also noted a certain additional item that we reported to management of the Nebraska Motor Vehicle Industry Licensing Board in the Comments Section of this report as Comment Number 3 (Travel Logs Were Not Properly Completed).

This report is intended solely for the information and use of the Board and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

April 4, 2005



Assistant Deputy Auditor

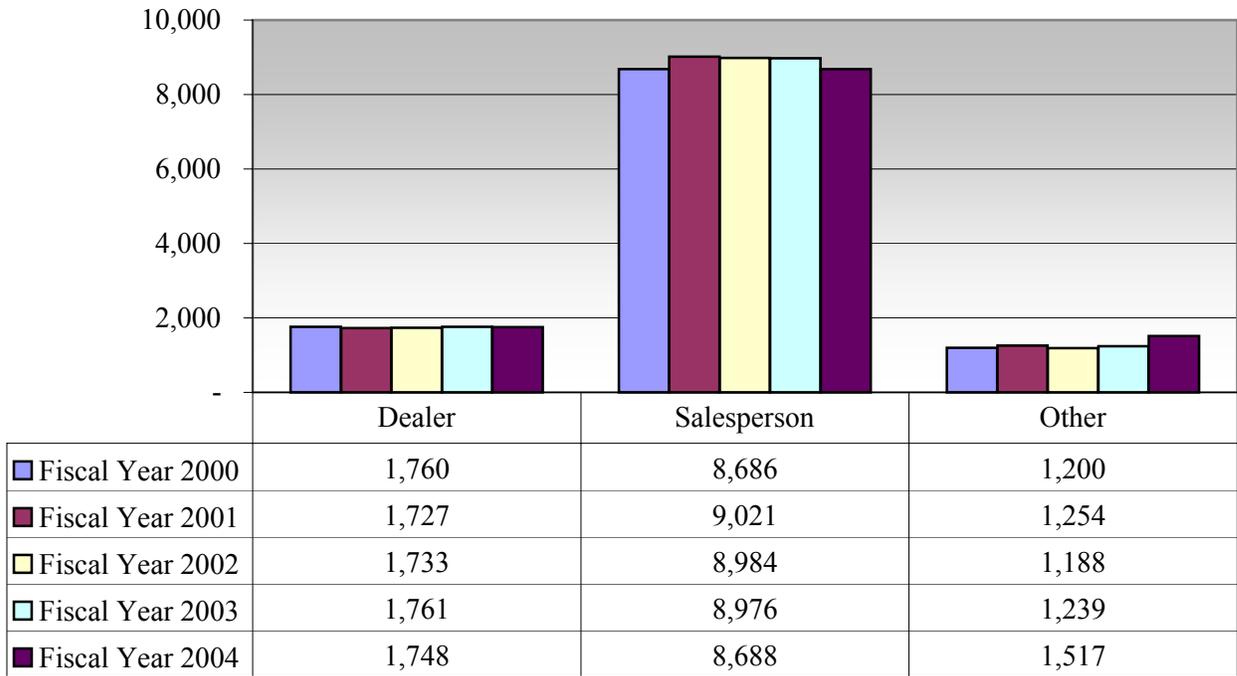
NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD

**STATISTICAL SECTION**

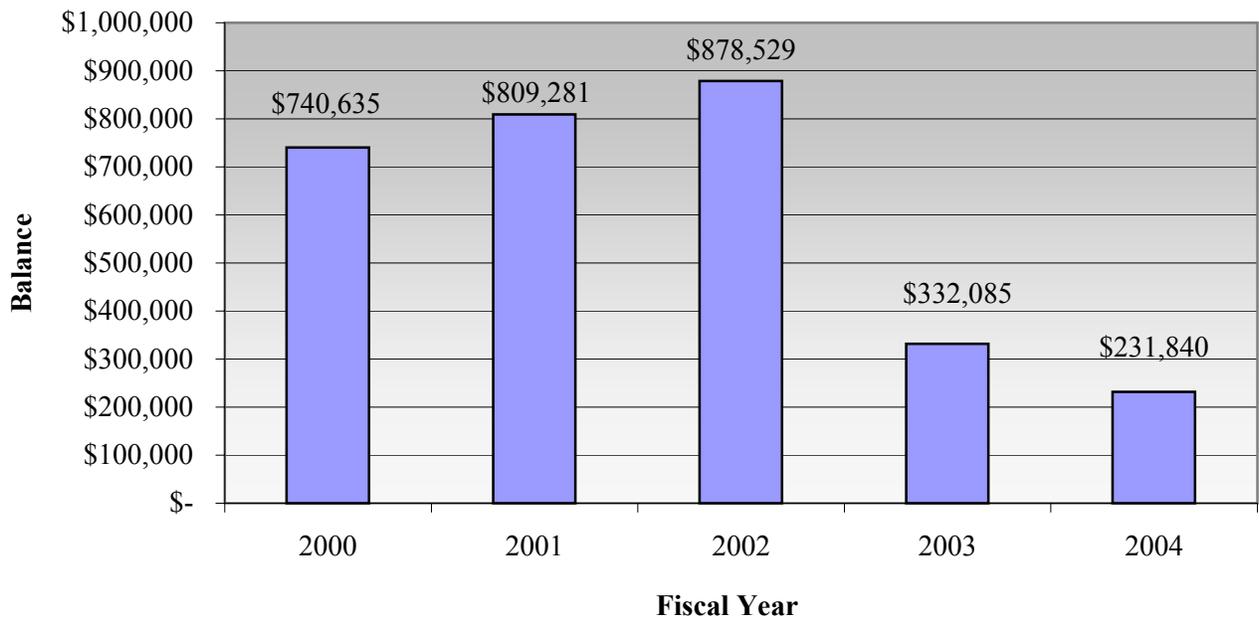
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

**NEBRASKA MOTOR VEHICLE INDUSTRY LICENSING BOARD**  
 For the Fiscal Years Ended June 30, 2000 Through 2004

**Licenses Issued by Type**



**Fund Balance by Fiscal Year**



Note: The decrease in fund balance in FY 2003 was not due to action on the part of the Board. The Unicameral Legislature decreased the fund balance by \$500,000 and by \$100,000 with transfers to the State's General Fund. The fund balance in FY 2004 decreased \$50,000 due to the Unicameral Legislature requiring a transfer to the State's General Fund.